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Letter dated 14 September 2001 from the Secretary-General to the President of the Security Council

I have the honour to transmit to you, enclosed herewith, a letter dated 13 September 2001 from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina addressed to the Secretary-General (see annex).

I should be grateful if you would bring this letter to the attention of the members of the Security Council.

(*Signed*) Kofi A. **Annan**

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Annex

Letter dated 13 September 2001 from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina addressed to the Secretary-General

[Original: English]

I have the honour to transmit to you the twentieth report on the activities of the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina. I would appreciate your making this report available to the Security Council. A copy of this letter as well as the report has been sent to the Department of Peacekeeping Operations for processing.

I look forward very much to addressing the Council on the current situation in Bosnia and Herzegovina by the end of this month.

(*Signed*) Wolfgang **Petritsch**

Enclosure

Report by the High Representative for the Implementation of the Peace Agreement to the Secretary-General

12 June 2001-25 August 2001

Pursuant to Security Council resolution 1031 (1995) of 15 December 1995, in which the Council requested the Secretary-General to submit reports from the High Representative in accordance with annex 10 of the Peace Agreement and the Conclusions of the London Peace Implementation Conference of 8 and 9 December 1995, I herewith present the twentieth report to the Council.

The report covers the activities of the Office of the High Representative and developments in Bosnia and Herzegovina during the period from 12 June 2001 to 25 August 2001.

SUMMARY

1. The consolidation of the Bosnia and Herzegovina (BiH) State institutions and the strengthening of their competencies have received my special attention during the reporting period. On 2 August the first meeting of the Consultative Partnership Forum was held. In this forum, the Council of Ministers (CoM) and I discuss and resolve urgent issues of peace implementation, reflecting the principle of ownership. Concerning the State's competencies, my Office organizes regular meetings in which representatives of the State and the Entities try to clarify, through constructive dialogue, the competencies of the different administrations in BiH. This is especially important in regard to the Republika Srpska (RS), whose authorities have resisted the transfer of competencies to the State on many occasions.
2. On 23 August the BiH Parliamentary Assembly (PA) passed the Election Law, after several years of failed attempts. This crucial legislation paves the way for BiH's accession to the Council of Europe (CoE) and the main European integration processes.
3. Although BiH has experienced a continuation of moderate growth, serious problems remain with the pace of economic revitalization, particularly in the RS. The mid-term rebalancing of the State and Entities' budgets faces significant financing gaps. Furthermore, unemployment continues to be unacceptably high: as of mid-2001, it affected approximately 40% of the active working population.
4. The tender for the third GSM licence, which would have introduced competition in the mobile phone market, was canceled on 31 July after two international bidders withdrew their applications and differences developed between the CoM and the CRA (Communications Regulatory Agency at the State level) concerning the bidding process.
5. On 17 July I imposed harmonizing amendments to both Entity laws on Privatization for Socially Owned Apartments. The amendments eliminated provisions in the RS law that disadvantaged returnees in relation to residents in the privatization process. My Decision also removed the so-called "two year rule" in the Federation, which required two years of occupancy following repossession prior to purchasing a pre-war apartment.
6. On 11 July, during a peaceful and dignified ceremony in the memory of the victims of the 1995 Srebrenica massacre, a marker stone for the future memorial site was unveiled.
7. On 13 July, the BiH Presidency officially transmitted to NATO the wish of BiH to join the Partnership for Peace Programme (PfP).
8. Following my decision to declare that an Annex on Defence to the RS-FRY Special Parallel Relations Agreement had no legal effect because my Office had not been consulted, delegations from FRY, RS and my Office agreed on 16 August on the way forward on this matter.
9. Under the auspices of my Office, Bosniac and Croat representatives signed an agreement on 2 August reuniting the municipalities of Gornji Vakuf and Uskoplje (Central Bosnia).
10. Under my separate mandate for the succession of the Socialist Federal Republic of Yugoslavia (SFRY), I opened the ceremony and witnessed the signature of the Agreement among the five successor states on 29 June in Vienna. Following the UN Secretary General's generous offer to act as a depositary for the Agreement, I sent the signed document to the Treaty Section of the UN Secretariat.
11. The streamlining of current international civilian implementation structures in BiH was one of the main issues of discussion at the PIC Steering Board meeting at Political Directors' level held in Stockholm on 21 June with the participation of representatives from the main international organizations deployed in BiH, including the UN.
12. The Stockholm Steering Board also confirmed the extension of my tenure for another year.

I. POLITICAL ISSUES

1. State institutions

a) Election Law

1. On 23 August the BiH PA passed the Election Law, thus ending several years of failed attempts. Both Chambers approved this crucial piece of legislation in the version that had been submitted to them by the CoM as a result of an agreement in principle on its content reached by key party leaders under the auspices of the International Community (apart from my Office, the OSCE and the CoE were also involved). This crucial decision means that BiH now has the legal framework through which to sustain democratic governance as this new Law paves the way for the formation of an Election Commission.

b) New CoM Chairman

2. As a result of the failure of the BiH House of Representatives (HoR) to adopt the Election Law at its session on 20 and 21 June, Bozidar Matic (Social Democratic Party, SDP), Chair of the CoM and Minister of Treasury, resigned on 22 June. In accordance with the system of rotation at the Chairmanship of the CoM, Foreign Minister Zlatko Lagumdzija (the SDP leader) took over as Chair on 18 July while retaining his ministerial portfolio. Ante Domazet assumed the position of Minister of Treasury.

c) Citizens Information Protection System (CIPS)

3. Regarding technical and commercial preparations for the implementation of the new civil registries and issuance of common identification cards and drivers licenses, the CoM appointed two successive review panels to evaluate the procurement and technical development processes. The second panel has yet to provide its conclusions to the Council, which are expected in early September.

d) Partnership and Civic Fora

4. In order to develop a new kind of relationship based on shared responsibility between my Office and the CoM, I proposed on 20 July the establishment of a Consultative Partnership Forum. It is foreseen that the CoM and I use this Forum to discuss and resolve urgent issues, mainly related to the agenda that the Peace Implementation Council set at its ministerial-level meeting in Brussels last year. The initial meeting took place on 2 August and is to be followed by further meetings on a regular basis. I also intend to confer with representatives of the civil society (researchers, intellectuals, businessmen, media experts, church groups etc) on a regular basis in a separate consultative structure, the Civic Forum.

2. The Entities and Brcko

a) Republika Srpska (RS)

5. Following the tragic incidents in early May in Trebinje and Banja Luka in connection with the reconstruction of historically significant mosques, the cornerstone laying ceremony on the site of the destroyed Ferhadija mosque in Banja Luka was successfully completed on 18 June. Both RS President Sarovic and Prime Minister Ivanic participated. In Trebinje an inter-ethnic committee will soon convene under the chairmanship of my Special Envoy and work on the plans for reconstruction of religious monuments in that area.

6. On 11 July, on the 6th anniversary of the Srebrenica massacre, some 3000 relatives of the victims and several international and local officials, including myself, attended a commemorative ceremony in Potocari. At the site I had designated for a memorial and cemetery for the victims, a marker stone was unveiled. For security reasons RS police was deployed in large numbers, monitored and backed up by IPTF and SFOR.

7. The Agreement on the Special Parallel Relations (SPRA) between the Federal Republic of Yugoslavia (FRY) and RS, which was ratified in June by the RS National Assembly (RSNA) gave rise to two Annexes, one on defence issues and the other on sports. Regarding the Annex on some defence issues, since the proper procedure specified in Article 9 of the SPRA had not been complied with, I stated vis-à-vis both signatories that the Annex had no legal effect and urged them to engage, as per under the SPRA, in consultations with my Office. In a first round held on 16 August in Banja Luka, the FRY and RS delegations respectively led by the chief of cabinet of President Kostunica and RS Vice-President Cavic, both parties acknowledged the suspension of this Annex and agreed on a way ahead on this issue. My Office has also reviewed the draft Annex regarding sports co-operation and proposed to hold a meeting in order to discuss the revision and to move forward on the matter.

8. Following the beginning of FRY cooperation with ICTY this year, the poor level of co-operation of the RS authorities with the Tribunal has increasingly come under the spotlight. In this respect, RS PM Ivanic began a dialogue with The Hague regarding the RS Draft Law on Cooperation with the ICTY. Although all authorities in BiH are obliged by the BiH Constitution and DPA to cooperate, ICTY and myself accepted this move, given that the Law should facilitate cooperation and emit a strong and public message that the RS authorities accept their obligation. The RSNA passed the draft Law in a first reading on 25 July and it is now on the agenda of the next RSNA session in mid-September.

9. For a long period of time, most RS politicians have shown a lack of commitment to the strengthening of BiH's State institutions. On a number of issues which, as such, would be to the advantage of the RS as a part of BiH, RS authorities have continued to complicate and even obstruct passage of some State laws, inter alia on the State budget and on State level regulatory agencies e.g. on energy. In view of this situation, on 19 June I met with PM Ivanic and Bosnian Serb members of the CoM and explained to them that the RS authorities and the Entity itself would be judged by their willingness to co-operate on the State level. Furthermore I underlined the benefit for both entities of a functional State in terms of foreign investment and overall economic development.

b) Federation

10. I have continued dealing with the HDZ issue and the so-called "Croat Self-Rule" with a dual track approach: containing and then chipping away at the HDZ's financial resources while assuring BiH Croats that the IC is aware and responsive to their legitimate concerns. This approach is beginning to bear fruit. Since my last report, a significant number of Bosnian Croat officers and soldiers have chosen to renew their contracts with the Federation army by the deadline set on 15 June. Although the reintegration of those whose contracts have been renewed is underway, there is still some confusion as to the exact figures of Bosnian Croat members of the Federation army who have actually returned to their barracks.

11. The Gornji Vakuf-Uskoplje Agreement brokered under the auspices of my Office was signed on 2 August in Travnik by Bosniak and Croat representatives of the municipality. The Agreement reuniting Gornji Vakuf and Uskoplje into one municipality ends a long lasting political and administrative division in this municipality.

c) Brcko

12. The Supervisor's initiative on reopening navigation on the Sava river is designed to reconnect BiH to international European waterways. This initiative has met co-operation by the governments of the FRY, Croatia and BiH.

13. The commencement of the reconstruction of the White Mosque, the former main mosque in the centre of Brcko town, is an encouraging sign of increasing inter-ethnic tolerance. The Islamic community has abstained from public ceremonies and there have been no adverse reactions so far. A further crucial test for reconciliation will be the imminent beginning of the new school year, when the public schools will be reintegrated under a new, non-discriminatory law and a multicultural curriculum.

3. Removals

14. During this reporting period, upon request from UNMIBH, I dismissed three Croat officials from their posts in one of the cantonal ministries of the Interior after they declared support to the "Croat Self-Rule". I had already suspended them from their duties on 26 April for the same reasons.

4. Bosnia and Herzegovina in the European integration process

15. The pace of the BiH's participation in the European integration process remains disappointing inter alia because, as I explained, the PA has failed to pass important legislation. According to representatives of the CoM themselves, a significant number of conditions still need to be fulfilled on the EU's Road Map highlighted at the Zagreb Summit (24 November 2000). However I do believe that the recent adoption of the Election Law marks a milestone en route to BiH's eventual accession to the CoE.

II. ECONOMY

1. General Overview of the BiH Economy

16. Although BiH has experienced a continuation of moderate growth in the first six months of 2001, which is estimated to be in the range of last year's increase of 5%, serious problems remain with the pace of economic revitalization, particularly in the RS. Preliminary industrial production growth figures indicate a sharp discrepancy between the two Entities' performances, with the Federation registering a growth above 10% while the RS suffered a decline in high single digit figures. The mid-term rebalancing of the State and Entities' budgets faces serious financing gaps - savings programs and additional revenues are needed to bring the budgets in line with the IMF requirements. Unemployment continues to be unacceptably high: as of mid-2001, it affected approximately 40% of the active working population.

2. Economic Reform

a) Regional and European Economic Integration

17. On 27 June, Ministers responsible for international trade from Albania, BiH, Croatia, FYROM, FRY, Romania and Bulgaria signed a Memorandum of Understanding (MoU) on Trade Liberalization, providing commitments to liberalize 90% of mutual trade in value by the end of 2006.

18. My Office noted with satisfaction that on 1 July BiH assumed the co-chairmanship of the Stability Pact Working Table II on Economic Reconstruction and Development. A bilateral consultation was held between the Pact's Secretariat and the BiH authorities on 6 July, which examined the contribution of BiH to the Pact's Regional Conference, which will be held in Bucharest in October.

19. Accession to the EU remains the principal longer-term political objective and economic aspiration. The BiH authorities could not manage to fulfill the EU's Road map requirements by end of June 2001, and key commercial legislation -such as the Laws on Competition, on Consumer Protection, on Industrial Ownership in BiH, on Copyright and Other Related Rights in BiH- are still awaiting parliamentary approval.

b) Stability Pact Regional Initiative on Social Cohesion

20. My Office has been deeply involved in the recent launching of the Initiative on Social Cohesion, under the umbrella of the Stability Pact. Amongst others, high unemployment, low living standards, unequal access to social care and inadequate institutional and administrative organizations have been identified as the key problems to be tackled.

c) Business Development

21. A key priority of my Office is to help improve conditions for new investments, foreign and domestic, which hold the key to future growth, job creation and less reliance on foreign

assistance. I have noted with satisfaction that the much-awaited report of the Foreign Investment Advisory Service (FIAS) on BiH has been issued after much research and consultations with BiH partners and with my Office. This report, which outlines investment impediments and recommendations to improve the situation, was officially presented in Sarajevo and Banja Luka on 29 and 30 June. All participants have stated their commitments to implementing reforms suggested in the report.

d) Privatization

22. The implementation of the privatization program is making encouraging headway with the establishment of a new Directorate of Privatization. An independent, legal audit of Aluminium Mostar, commissioned by my Office, was also conducted in the reporting period. This analyzed the ownership structure of the company and the compensation schemes of former employees who were dismissed during the war. The report is one of the tools at the disposal of the parties to try to resolve their differences. OHR is ready to act as a facilitator in the process and encourage dialogue between the Federation government and the management of Aluminium Mostar.

e) Transport

23. A new Law on International and Inter-Entity Road Transport at the State level received approval by the CoM on 19 April and is now awaiting passage in the PA. This will be the first of a number of laws transferring powers over licensing and regulatory matters to the State under the auspices of the Ministry of Civil Affairs and Communications (MCAC).

24. Negotiations for the Euro 61 million EBRD/EIB Railway Recovery Loan were completed with assistance from my Office and a signing ceremony was held in Sarajevo on 11 June. Money will be used for re-construction, including the repair of the electrification system on 750 km of the backbone of the BiH network along Corridor Vc, and parallel to Corridor X, which is defined as part of the Pan European Transport Network. The loan project will receive technical assistance for a corporate information system, business planning, railway accounting systems and tendering processes.

f) Telecommunications Sector

25. On 16 July, the Communications Regulatory Agency (CRA) organized a seminar on telecommunications, which included the EU Commissioner for Enterprise and Information Society, ministers, business representatives and international experts, to explore solutions regarding the opening of the fixed telecommunications market. There was general acceptance that the separation of telecommunications services and postal services in the Federation as well as the privatization of all three incumbent telephone operators require urgent attention.

26. The tender for the third GSM licence, which would have introduced competition in the mobile market, was canceled on 31 July after two international bidders withdrew their applications and differences developed between the CoM and the CRA concerning the bidding process. Since then, the CRA has prepared a draft for an overall Action Plan, which is currently being discussed with the CoM.

III. ANTI-CORRUPTION AND TRANSPARENCY ISSUES

27. The fraud investigation on the Hercegovacka Banka (HB) carried out by its Provisional Administration has been on-going since my 6 April decision to place the bank under supervision. The effort has been considerable, as the necessary cooperation of the employees with the provisional administration was initially lacking for some time. This has somewhat improved, as well as the relationship with the shareholders.

28. The HB's Provisional Administration has focused primarily on consolidating its assets and information resources. The violent reaction to the 6 April provisional administration considerably complicated the data retrieval process. My Office has engaged the required expertise to fully support the Provisional Administration in this effort. The decisions on the future of the bank are dependent upon the results of this forensic audit. I have also requested the assistance of the Croatian Government in securing investigative leads which tie the bank to Croatia.

29. The Special Auditor's report on public finance was released in July. It revealed a high-degree of non-transparent financial operations of the BiH administrations at all levels. I have urged the governments to improve the capacities of the supreme audit institutions and treasuries as well as to improve the overall democratic accountability and oversight of the parliaments.

30. The reform of the Financial Police is a critical pillar to creating an independent and effective investigative mechanism against high-level corruption, fraud and money laundering cases. Together with US Treasury, my Office has presented to both Entity governments a strategy on how to restructure this agency.

31. My Office has finalized a draft for a criminal procedure code at the state level. At the same time discussions with the ministries and judicial experts form the State and the Entities have started with a view to agreeing on the principles to be included in the criminal procedure at all levels.

IV. RETURN

32. The first half of 2001 produced 35.541 "minority" returns (as registered by the UNHCR). This represents a significant increase over 2000, when 19.849 "minority" returns were registered in the first six months. However, greater State level and inter-Entity cooperation on return issues is necessary to support the increasing interest in return. To underline the urgent need for continued and if possible increased financial contributions from local and international sources for the return process, I invited all representatives of the International Community in BiH and the relevant Ministers of the State and the Entities to join me in a helicopter tour on June 27 to several of the many return sites in BiH.

33. The legal framework for property repossession and return in Croatia remains a key to unlocking cross-border returns between FRY, Croatia and BiH. In June 2001, the Croatian Government and international representatives in Croatia established a Legal Working Group aimed at removing impediments to cross-border returns. I am also encouraged by the Stability Pact's adoption of an Agenda for Regional Action under its Regional Return Initiative. The multi-year Agenda, with the support of the FRY, Croatia and BiH

governments, provides a living framework for facilitating cross-border returns and the identification of lasting solutions for refugees who have not yet returned to their pre-war homes.

V. PROPERTY

34. According to Property Law Implementation Program statistics, as of the end of June 2001, 54% of property claims have received decisions, 29% of which have resulted in actual repossessions. However, the monthly rate of implementation of the property laws has so far been rising only by a maximum of two percentage points in the Federation and the RS. Without a significant increase of the implementation rates, the process could take up to four years to be completed.

35. On 4 July I passed a Decision extending the deadline for the use of unclaimed socially owned apartments in the Federation as alternative accommodation for temporary users who have to vacate somebody's property.

36. On 17 July, ensuing a request by the BiH Minister for Refugees and Human Rights, I imposed harmonizing amendments to the Laws on Privatization for Socially Owned Apartments in the Federation and the RS. The amendments eliminated provisions in the RS law that disadvantaged returnees in relation to residents in the privatization process. My Decision also removed the so-called "two year rule" in the Federation, which required two years of occupancy following repossession prior to purchasing a pre-war apartment. Additionally, the amendments in both Entities facilitate the repossession of pre-war property by requiring purchasers to demonstrate that they no longer occupy property subject to repossession under the property laws.

VI. EDUCATION

37. On 27 June both Entity Ministers of Education signed a new medium-term agreement (2001 - 2005) on "Shared Strategy for the Modernization of Primary and General Secondary Education", proposed and funded by the EU.

VII. MEDIA

38. The CRA continues its process of evaluating existing broadcasters. To date 126 have qualified for full licenses while 89 have received denials with consequent closedown. This successful licensing process ensures that existing broadcasters meet agreed standards of program content, technical competence and financial sustainability. It will be concluded by the end of the year, so consultation has started to ensure that any opportunities for new licenses are designed to meet the citizens' needs.

39. Preparing necessary legislation for the public broadcasting services is also well underway. A Working Group that includes members of my staff, government-appointed representatives and members of the RS Radio-Television (RTRS) Board of Governors, has drafted a law for RTRS, which has been reviewed by both the CoE and the European Broadcast Union. On 20 July the Working Group presented the law to the RS Government. Currently, the Law on

Federation RTV is being amended by its Governing Council. The draft law for the BiH Public Broadcasting System is still in its early stages.

VIII. JUDICIAL REFORM

40. At the end of July, I approved the Independent Judicial Commission's (IJC) Strategy Paper for 2001–2002. This paper identifies the activities to be carried out by the IJC in its endeavors to improve the independence of the judiciary and to improve the quality and efficiency of the judicial system. The major priorities are: completion of the ongoing comprehensive review of all judges and prosecutors, reform of the appointment process for the judiciary, reform of court administration and management, and revision of legislation on civil procedure and enforcement of judgements. Training will also be a crucial part of all these reforms.

41. In July, a MoU was signed by both Entities, regulating the appointment process for judges and prosecutors throughout BiH. The new procedure reflects the considerable advantages of vetting prosecutors and judges through an appointment process rather than the current comprehensive review. In the RS, the IJC expects that a large number of judicial and prosecutorial posts will be filled this autumn. The IJC will be directly involved in the appointment process to ensure that the terms of the MoU are implemented.

42. On 3 August, I imposed amendments to the Federation Law on Judicial and Prosecutorial Service to serve as a short-term measure to eliminate political obstruction in the appointment and dismissal processes and to strengthen the role of the Federation Commissions that deal with the nomination of candidates for judicial and prosecutorial service. The amendments streamline the appointment process, removing the possibility for political obstruction to prevent appointment.

IX HUMAN RIGHTS

1. Human Rights institutions

43. Implementation of the Human Rights Chamber's decisions increased from 33% in late 1999 to the current 75%. The Federation registered significant progress (implementation rate 86%), with high implementation of occupancy right cases and compensation awards. The RS (implementation rate 55%) also showed progress in regard to the payment of monetary compensation in some 37 cases, although in all these cases the sums paid did not include interest charges as required by the Chamber.

2. Social, Economic and Gender Rights

44. My Office has continued to address discrimination in the economic and social fields and, as such, commends the 5 August revocation of the discriminatory instruction to the implementation of Article 143 of the FBiH Labour Law and is continuing to assist in further harmonisation of the Entity labour laws.

45. The first version of the draft BiH Law on Gender Equality was presented on 12 and 13 July and my Office has provided comments on it. With regard to victims of human trafficking, my Office has solicited funds for temporary shelters within the IOM protection projects.

3. ICTY

46. My Office has continued to operate as a liaison with ICTY, especially with regard to putting pressure upon the relevant authorities of BiH, the RS in particular, in an endeavor to improve co-operation with the ICTY. My Office has also continued to monitor compliance with the Rome Agreement of February 1996, colloquially known as the Rules of the Road Agreement, and domestic war-crimes trials, including the trial before the Travnik Cantonal Court against Hanefija "Paraga" Prijic for murdering three Italian humanitarian workers in 1993. On 28 June, in a landmark decision, Prijic was convicted for war crimes and sentenced to 15 years imprisonment. This constitutes the first serious conviction before a BiH court of a high-ranking BiH Army officer for war crimes charges. In addition, my Office continues to liaise with donors in an endeavor to support the ICTY Rules of the Road Unit in ensuring international standards are met in domestic war crimes trials and members of the BiH judiciary receive necessary training.

4. Inter-religious dialogue

47. My Office continues to attach high importance to the role of religion in the process of reconciliation among the main ethnic communities in BiH. Bearing this in mind, it is looking into the possibilities of revitalizing the Inter-Religious Council, which gathers the leaders of the main creeds of this country.

5. Civil society

48. My Office has been actively engaged with supporting NGOs and reforming legislation to ensure a better environment for the development and vitality of the civil society, which is essential for the consolidation of democracy in BiH. The State Law on Associations and Foundations, whilst adopted by the BiH HoR, was rejected on 24 July at the second reading by the House of Peoples (HoP). In July, the HoP sent the law to the Parliamentary Collegium in order to harmonize the positions of the RS and Federation representatives. In contrast, on a positive note, adoption by both Entity Governments of the Draft Law on Associations and Foundations is anticipated to occur by the end of the year.

X. LEGAL ISSUES

1. State Institutions: Civil Service and State Court

49. My Office organizes regular meetings in which representatives of the State and the Entities try to clarify, through constructive dialogue, the competencies of the different administrations in BiH. This is especially important in regard to the Republika Srpska (RS), whose authorities have persistently challenged many of the powers attributed to the State.

50. The BiH CoM has adopted a Law on Civil Service in governmental institutions of Bosnia and Herzegovina attempting to deal with the status of Civil Servants at state level.

51. Depending on a forthcoming judgment of the BiH Constitutional Court concerning the constitutionality of the Law establishing the Court of BiH and the completion of the activities related to its setting up (identification of the building, election of judges, financial means...), the next operational step is the adoption of a set of laws that are now being prepared by the Ministry of Civil Affairs and Communications: on the Prosecutor's Office of BiH, on the Public Attorney's Office and on State Criminal and Administrative Laws.

2. Issues Related to the BiH Constitutional Court's Decisions

52. The implementation of the four partial Decisions the BiH Constitutional Court passed in the year 2000 -including the so-called "Constituent Peoples' Decision"- is entering a crucial phase. By the end of July, both Entities' Constitutional Commissions adopted provisional reports on draft amendments of the respective Entity constitutions. The establishment of fair representation of all constituent peoples in all public institutions, the definition of vital interest and the vital interest protection system are the crucial questions in this process. One or more common sessions of both Commissions, the first of which will be held on 7 September, will contribute to achieving substantially similar standards in both Entities.

3. Other legal issues

53. After the final round of the Vienna negotiations on succession to the SFRY among its five successor States (BiH, Croatia, FYR of Macedonia, Slovenia and FRY), on 29 June I opened the ceremony and witnessed the signature of the Agreement that provided for the distribution of the SFRY's rights, obligations, assets and liabilities. Following the UN Secretary-General's generous offer to act as a depositary for the Agreement, I sent the signed document to the Treaty Section of the UN Secretariat.

54. At my request, international financial experts have completed a thorough analysis of the BiH public forestry sector. With annual turnovers of over 300 Million KM (approx. $ 150 millions), the forestry sector is a leading economic sector in the BiH economy. However, the international community is particularly concerned about the distortive effects of organized timber theft and gray market dealings upon the legitimate economy. Because of these facts, the report underscores the urgency for significant institutional reform.

XI. MILITARY ISSUES

1. Defence and Military Reform; Development of a State-level Defence Institution

55. The first stage of the expansion of the Secretariat of the Standing Committee on Military Matters (SCMM), by which its personnel increased from six to twelve, finally occurred in the early part of July. My Office, jointly with NATO, conducted a successful Team Building seminar in Neum for the newly expanded organization over the period 3-5 July. This expansion is an important step in developing the capability of the State-level defence

institutions' ability to deal with a wider range of defence matters and to implement the BiH Defence Policy.

56. The BiH Presidency presented a letter to the NATO Secretary General during his visit on 13 July, indicating the wish of BiH to join the PfP. The Secretary General addressed the SCMM during his visit, and outlined some of the reforms that would have to take place before an invitation to join PfP could be extended. This should provide an important incentive for BiH in taking forward the process of reform, both political and military.

2. De-mining

57. Progress in the de-mining activity is still painfully slow: according to the last official report, only 12% of the area of risk within BiH had been surveyed and only 7% of the resultant Surface Requiring De-mining had been cleared. Pledges of funding for the de-mining programme so far received still provide for only slightly more than half of the 2001 budget and more money is obviously still required. The Joint Chairs of the Board of Donors continue to press the BiH authorities to increase domestic funding for this vital activity; this is being held as a pre-condition by many potential donor nations for further financial commitment.

58. As a result of the report of the Federation Finance Police into corruption within de-mining, charges have now been brought against several individuals. A similar investigation has also been started within the RS.

XII. STREAMLINING OF IC PRESENCE IN BiH

59. At the PIC Steering Board meeting at Political Directors' level –with the participation of representatives from the UN and others- in Stockholm on 21 June, the streamlining of current international civilian implementation structures in BiH was one of the main issues under discussion. The Steering Board agreed that discussions regarding the streamlining process shall get under way now, that a phased approach would best facilitate the process, that it should follow a strictly functional approach and that the process would be fully transparent.

OHR Report of the High Representative
13 September 2001